

Community resources

[Follow us on Twitter](#) [Check our Reddit](#) [Twitter this](#) [Digg this page](#) [Contact us on IRC](#)

courage is contagious

Viewing cable 06LONDON4338, UK OPEN TO FINANCIAL MEASURES AGAINST IRAN

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#06LONDON4338**.

Reference ID	Created	Released	Classification	Origin
06LONDON4338	2006-06-16 10:23	2011-08-30 01:44	SECRET	Embassy London

Appears in these articles:

<http://www.ft.com/cms/s/0/cc350008-5325-11e0-86e6-00144feab49a.html>

VZCZCXRO1274
PP RUEHBC RUEHDE RUEHKUK
DE RUEHLO #4338/01 1671023
ZNY SSSSS ZZH
P 161023Z JUN 06
FM AMEMBASSY LONDON
TO RUEHC/SECSTATE WASHDC PRIORITY 6401
INFO RUCNIRA/IRAN COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 0730

UK OPEN TO FINANCIAL MEASURES AGAINST IRAN
Class: SECRET
Date: Fri Jun 16 10:23:00 2006
Key: 06LONDON4338
Tags: ETTC, EFIN, PTER, PREL, UK, IR

S E C R E T SECTION 01 OF 02 LONDON 004338

SIPDIS

SIPDIS

STATE FOR P, NEA/IR, PM/ISD, EUR/UBI (ROY)

E.O. 12958: DECL: 06/15/2016

TAGS: [ETTC](#) [EFIN](#) [PTER](#) [PREL](#) [UK](#) [IR](#)

SUBJECT: UK OPEN TO FINANCIAL MEASURES AGAINST IRAN

Classified By: DCM David T. Johnson for reasons 1.4 (b) and (d).

¶1. (S) Undersecretary of Treasury for Terrorism and Financial Intelligence Stuart Levey met with UK officials on June 7 to discuss possible financial measures that could be used to increase pressure on Iran. In meetings at the Foreign and Commonwealth Office, Her Majesty's Treasury, and the Bank of England, U/S Levey laid out U.S. thinking on persuading financial institutions to cut their ties with Iranian government and commercial entities involved in proliferation or the funding of terrorism. U/S Levey stressed that the current focus was on providing banks with information to help them reassess their reputational risk with Iranian entities in light of a range of illicit conduct carried out by the Iranian regime. HMG officials were open to the idea, but had questions regarding the effectiveness of these measures, whether they would adversely impact the Iranian people, and whether they would damage the UK's reputation as a financial center. End Summary.

¶2. (S) During a June 7 visit to London, U/S of Treasury for Terrorism and Financial Intelligence Stuart Levey presented current U.S. thinking on possible financial measures against Iran to officials in the Foreign and Commonwealth Office, Her Majesty's Treasury, and the Bank of England. U/S Levey said that the U.S. was looking at financial measures to keep pressure on Iran to end its efforts to develop nuclear weapons. He underscored that the U.S. was looking for options that could apply pressure without requiring UN approval (and therefore the express support of Russia and China).

¶3. (S) Levey said that our current focus was to work with private financial institutions to provide them with information on various Iranian government and commercial entities involved in proliferation financing. Levey said that he expected that this information would lead financial institutions to reevaluate the potential costs of doing business with the Government of Iran, and lead them to constrain or sever their ties with GOI institutions. When asked about the U-turn provision in current U.S. regulations, Levey acknowledged that the U.S. would have to consider this provision if there was multilateral momentum to cut the GOI from the world's most important financial relationships. Levey also solicited UK reactions to the real impact such measures might have both on Iran and the international financial system, and suggested that these measure -- particularly those aimed at proliferation entities -- are warranted now, irrespective of the outcome of the incentives package presented to Iran on June 6.

¶4. (S) xxxxxxxxxxxx said that the impact such financial measures would have on Iran is unclear. But he strongly agreed with Levey that we should continue to develop these ideas. He said that "I'll back you 100 percent," on the idea that we should simultaneously work on the proposal to resolve the situation in Iran diplomatically and plan for a negative outcome to negotiations. xxxxxxxxxxxx stressed that, whatever financial measures were eventually agreed, that it was important that they be widely implemented to avoid a situation where the measures were easily circumvented with no negative impact on Iran.

¶5. (S) xxxxxxxxxxxx at HM Treasury, expressed HMT's preference for multilateral measures approved by the United Nations or the European Union. Although they acknowledged the importance banks attach to reputational risk, they said that financial institutions would respond better to clear rules on what they could and couldn't do. Relying solely on banks to end relations with Iranian entities because of reputational risk could lead to a

situation where the money simply flowed to less reputable institutions. xxxxxxxxxxxx welcomed our desire to discuss Iran in the context of the Financial Action Task Force (FATF). xxxxxxxxxxxx said that the UK has started to look at the economic aspects that various financial sanctions on Iran could have on financial, currency, and oil markets. He added that he thought that even robust financial measures against Iran would not negatively impact the systemic viability of the UK financial services industry or the viability of any single UK-based bank.

¶6. (S) At the Bank of England, xxxxxxxxxxxx agreed that financial institutions prefer clear-cut rules.

LONDON 00004338 002 OF 002

Still, they said that if we were to ask financial institutions to examine their reputational risk, we should also emphasize Iran's involvement in funding terrorism in addition to its nuclear activities. They agreed that financial measures could have an impact on Iran, but stressed that many avenues would emerge to circumvent these measures. Nevertheless, they agreed that financial measures would raise the cost of doing business with Iran. They also noted that they had observed a number of banks reducing their exposure to Iran, presumably because of heightened risk. Finally, xxxxxxxxxxxx said that the Bank of England had observed significant moves by Iran to purchase gold. He said that he had not seen any evidence that this gold was being stored in apparent reserve locations (such as the New York Fed or Bank of England) and presumed that it was being taken to Tehran for storage. He surmised that this was an attempt by Iran to protect its reserves from risk of seizure.

¶7. (U) This message has been cleared by U/S Levey.

Visit London's Classified Website:
<http://www.state.sgov.gov/p/eur/london/index.cfm>
Tuttle